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Report Highlights:

Total area sown to winter grain in Russia decreased more than 4 percent from last winter. According to experts, the January frosts in European Russia weakened plants, but the damage has not been very significant yet, as snow cover was enough to protect crops on most sown fields. The increase in domestic grain prices in November-December was primarily due to large grain exports in the fall. Total exports of grain in MY 2005 are forecast at 10.5 to 11.0 million metric tons, including 9.5 million metric tons of wheat.

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Executive Summary

The total winter grain sown area in Russia decreased by more than 4 percent from last year's level of 13.9 million hectares, including an almost 2-percent decrease in the agricultural enterprises to 10.8 million hectares. According to experts, the January frosts in European Russia have weakened plants, but the damage has not been very significant yet, as snow cover on most of actually sown fields was enough to protect crops from killing. The increase in domestic grain prices in November-December was due primarily to intensive exports of grain in the fall. Total exports of grain in MY 2005 are forecast at 10.5-11.0 million metric tons, including 9.5 million metric tons of wheat.

Production

The preliminary official estimate of the 2005 grain crop is 78.05 million metric tons (mmt), only 50,000 metric tons less than 2004, including 47.6 mmt of wheat (up 5 percent from 2004), 15.8 mmt of barley (8 percent lower), 3.63 mmt of rye (up 26 percent), 4.57 mmt of oats (down 8 percent), and 3.18 mmt of corn for grain (down 10 percent). The rest of the 3.26 mmt is millet, rice, buckwheat and legumes (21 percent decrease). Thus, stability of grain production was based exclusively on the increase of wheat production, and the share of wheat in the total crop increased from 58 percent to 61 percent of the total.

The recent official update of area sown to both winter and spring grains in 2005 is 43.77 million hectares, of which 25.38 million hectares were sown to wheat (harvested area is estimated at 42.19 million hectares), 9.1 million hectares were sown to barley (harvested area is estimated at 8.7 million hectares). Planted area under rye was 2.34 million hectares, with 2.31 million hectares harvested. Area sown to oats was 3.34 million hectares, with harvested area estimated at 3.17 million hectares. Corn harvested area was 830,000 hectares, while sown area was 867,000 hectares. Estimates of harvested area are based on production data and yields per harvested area. The final official data for 2005 grain production by crops and by winter and spring production is expected in March 2006.

Winter Grains

Officially reported area sown to winter grains in the agricultural enterprises (winter grain sown area at private farms and at private household farms is not reported) was 10.8 million hectares, 1.7 percent less than last year. Analytical company "SovEcon" estimated area sown to winter grains in all enterprises (including private farms and households) at 13.1 to 13.4 million hectares, 0.8-0.5 million hectares less than in 2004.

According to experts, it is too early today to estimate winter grain survival, although up-to-date weather conditions in European Russia make prospects worse than last year. Thus, low soil moisture in the Central Federal District and in the Volga Federal District has already weakened plants, and by January, percentage of weak plants in these districts was 13 and 14 percent respectively. Spells of severe mid-January frosts in Russia increased the risk of winter grain losses in areas with low snow cover. Fields with snow cover below 5-10 centimeters and where frost was below minus 20 degrees Centigrade for several days were reported in some regions of Rostov oblast, Astrakhan oblast, in Bashkortostan Republic, and other oblasts and republics of the Volga Federal District. However, because of the dry fall, these territories were said to have decreased winter grain area. According to the estimates of the country's Hydrometeorology Center, in the southern Russia, the biggest winter grain producing area, the freezing temperatures in January will of course weaken winter crops, but a critical deterioration of vegetation is not expected. Most experts report that preliminary estimates of winter grain survival can be done only in March, and the possible warming in

February, if followed by frosts could damage winter grains worse than severe January frosts, especially in the Central Russia, the second largest region of winter grain production.

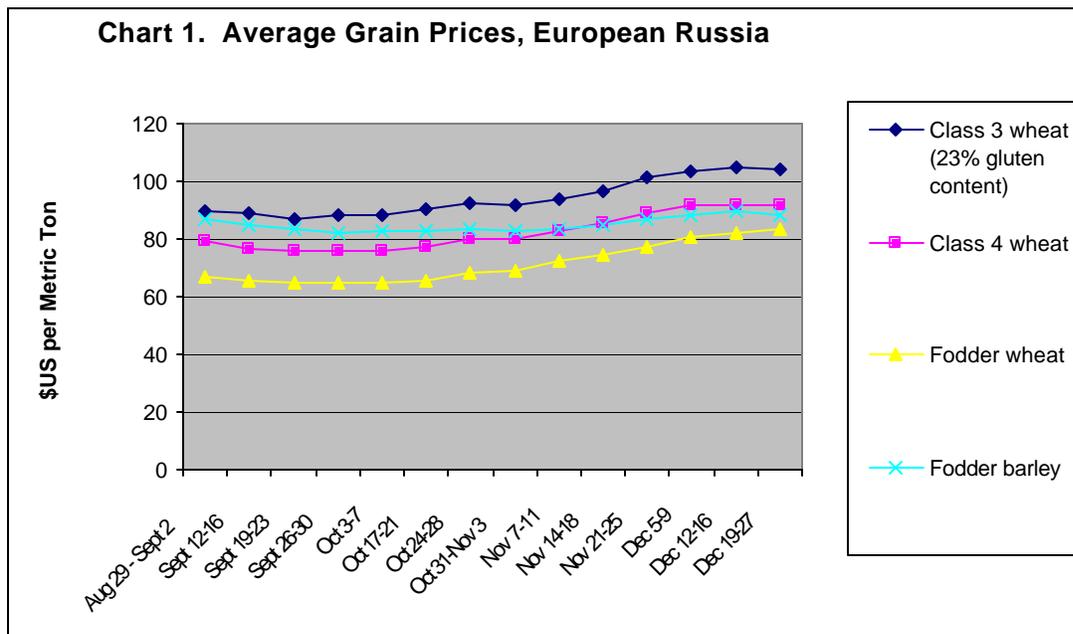
Plowed land for spring sowing is estimated at 21.0 million hectares, 1.1 million hectares less than last year.

Trade

Grain exports in fall 2005 were very strong. The latest official trade data are available only for September 2005, but according to other sources, in July – October 2005, Russia exported 5.1 mmt of wheat (including 0.1 mmt wheat flour exports in grain equivalent), including 1.3 mmt to Egypt, 364,000 metric tons to Azerbaijan, 346,000 metric tons to Yemen, 326,000 metric tons to Algeria, and almost 300,000 metric tons to Georgia (including 60,000 metric tons of wheat flour in grain equivalent). Russian barley exports from July through October exceeded 810,000 metric tons, including 328,000 metric tons to Saudi Arabia. Total grain exports from Russia in July-October exceeded 5.9 mmt, almost 1.2 mmt more than in the same period in the previous year. Experts report that in November, exports of grain continued at almost the same rate as in October, and slowed down only in December. In December, traders forecast that in MY 2005 Russia could export between 10.0 mmt and 12.5 mmt of grain. However, in the spring, exports will slow down, and the recent experts' forecasts are closer to 10.5 – 11.0 mmt.

Prices

Grain prices started to increase in November 2005, primarily due to large grain exports in the fall. Reduced area sown to winter grain also added to price increases. However, according to experts, reduced winter grain area and the threat of poor winter crop survival have not become dominant price factors yet. By January, grain prices stabilized mostly due to an expected decrease in grain exports in the spring. However, this tendency may change if crop damage increases.



Source: WJ InterAgro

Wheat

According to official data, wheat imports in MY 2004 were 1.07 mmt, and exports were only 7.7 mmt. Final 2004 wheat production was 45.4 mmt. Thus, end of year stocks were raised to 3.9 mmt. The MY 2005 export forecast was lowered to 9.5 mmt, and the total domestic consumption was increased to 39.0 mmt, with reduced losses and industrial use.

Table 1. PSD, Wheat, 1,000 Metric Tons, 1,000 Hectares

PSD Table						
Country	Russian Federation					
Commodity	Wheat				(1000 HA)	(1000 MT)
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2003		07/2004		07/2005
Area Harvested	22150	22150	24200	24200	25500	25500
Beginning Stocks	6133	6133	2645	2645	3791	3915
Production	34100	34100	45300	45400	47600	47600
TOTAL Mkt. Yr. Imports	1026	1026	1197	1070	1000	1000
Jul-Jun Imports	1026	1026	1197	1070	1000	1000
Jul-Jun Import U.S.	14	14	0	0	0	0
TOTAL SUPPLY	41259	41259	49142	49115	52391	52515
TOTAL Mkt. Yr. Exports	3114	3114	7951	7700	10000	9500
Jul-Jun Exports	3114	3114	7951	7700	10000	9500
Feed Dom. Consumption	12500	12500	13600	13700	14900	14925
TOTAL Dom. Consumption	35500	35500	37400	37500	38400	39025
Ending Stocks	2645	2645	3791	3915	3991	3990
TOTAL DISTRIBUTION	41259	41259	49142	49115	52391	52515

Corn

Official Rosstat data for corn production in MY 2004 increased to 3.515 mmt. In the MY 2004 Russia imported 236,000 metric tons of corn, including 15,000 metric tons from the US. End of year carry-over stocks of corn were raised to 266,000 metric tons. These carry-over stocks and the good crop in 2005 have weakened import incentive. However, in order to maintain the rising level of corn consumption by the growing poultry and livestock industries, Russia is forecast to increase corn imports in 2006, with total corn imports estimated at 300,000 metric tons in MY 2005. Stocks are forecast to decrease to 166,000 metric tons.

Table 2. PSD, Corn, 1,000 Metric Tons, 1,000 Hectares

PSD Table						
Country	Russian Federation					
Commodity	Corn				(1000 HA)	(1000 MT)
	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]
Market Year Begin		10/2003		10/2004		10/2005
Area Harvested	700	700	900	900	800	950
Beginning Stocks	113	113	159	159	215	266
Production	2100	2100	3450	3515	3200	3180
TOTAL Mkt. Yr. Imports	496	496	200	236	200	300
Oct-Sep Imports	496	496	200	236	200	300
Oct-Sep Import U.S.	70	60	13	15	0	0
TOTAL SUPPLY	2709	2709	3809	3910	3615	3746
TOTAL Mkt. Yr. Exports	0	0	44	44	0	40
Oct-Sep Exports	0	0	44	44	0	40
Feed Dom. Consumption	2150	2150	3000	3000	2900	2940
TOTAL Dom. Consumption	2550	2550	3550	3600	3450	3540
Ending Stocks	159	159	215	266	165	166
TOTAL DISTRIBUTION	2709	2709	3809	3910	3615	3746